

*Secure a
Better
Tomorrow
with
RSA-1*



Contact RSA-1

Phone

877-517-0020

334-517-7000

Fax

877-517-0021 or 334-517-7001

E-mail

rsa1info@rsa-al.gov

When sending an e-mail, please include your full name, employer, home mailing address and daytime phone number.

Mail

The RSA-1 Deferred Compensation Plan
P.O. Box 302150
Montgomery, AL 36130-2150

Web site

www.rsa-al.gov

Building Location

201 South Union Street
Montgomery, Alabama

Business Hours

8:00 a.m. - 5:00 p.m.

Monday - Friday

Please provide your full name and address on all faxes and letters.

Secure a Better Tomorrow with RSA-1

This brochure provides information on how members of the Retirement Systems of Alabama (RSA) or any other public employee can:

- ◆ defer some of their income before taxes, and
- ◆ at the same time, establish more savings to enjoy a better retirement.

RSA-1 is a tremendous benefit offered to you by the RSA. By contributing pre-tax dollars, you can lower your taxable income and reduce the amount of taxes you pay.

Each and every member of the Teachers' Retirement System (TRS) and Employees' Retirement System (ERS) should take advantage of this plan. RSA-1 is payroll deductible which makes saving easy and convenient. There is no minimum amount you must contribute each month and the contributions may be increased, decreased or stopped as often as your payroll officer allows.

On the average, Social Security and a retirement pension will make up less than sixty percent of the total sources needed for a sound retirement income. This makes personal savings extremely important to help members maintain their standard of living once they retire.

An old adage states: "You should always pay yourself first!" This is true and RSA-1 makes it easier than ever before. Members can enroll in RSA-1 at anytime.

***So - what are you waiting on?
Go see your payroll officer today.***

Table of Contents

What is RSA-1?	1
Deferring Equals Tax Savings.....	1
No Fees!	2
Power of Compounding	3
The Advantage of Beginning Early.....	4
Enrolling is Easy	4
Investing in RSA-1	6
Distribution of Your RSA-1 Funds	9
Why Save?	13
Retirement & the Three-Legged Stool.....	13

The information in this brochure is based on Section 457 of the Internal Revenue Code of the United States and is authorized by §36-27A-1, et. seq., Code of Alabama 1975. This brochure is not intended as a substitute for the Internal Revenue Code nor will its interpretation prevail should a conflict arise between its content and Section 457 of the Internal Revenue Code. Do not rely solely upon the information provided in this packet to make any decision regarding enrollment in RSA-1, but contact RSA-1 directly with any questions you may have.

What is RSA-1?

RSA-1 is an Internal Revenue Code Section 457 deferred compensation plan. RSA-1 is administered by the Secretary-Treasurer of the TRS and ERS under the supervision and direction of the PEIRAF Board of Control, which is composed of members of the investment committees of the TRS and ERS Boards of Control.

Under the RSA-1 Deferred Compensation Plan, a public employee may elect to defer receipt of a portion of his or her salary until a later determined date, usually at retirement or other termination of service. Because receipt of the income is deferred, the deferred income is not included in your federal or state of Alabama gross taxable income.

Deferring Equals Tax Savings

The deferred income is paid into RSA-1 and invested for your benefit. Investment earnings are accumulated in the fund and like the deferred income, are not subject to federal or state of Alabama income taxation until distributed to the employee. Deferred income and the investment earnings are held in the participant's account for the exclusive benefit of the plan participants and their beneficiaries.



Saving Taxes with RSA-1

The following is an example of how participation in RSA-1 can help you reduce current taxes:

Example:

- ◆ An employee earning \$1,000 semimonthly
- ◆ Deferring \$100 into RSA-1 semimonthly
- ◆ Filing as single with one withholding allowance

	<i>With RSA-1</i>	<i>Without RSA-1</i>
Semimonthly pay	\$1,000.00	\$1,000.00
RSA-1 Deferral	100.00	0.00
Less 5% Retirement	50.00	50.00
Federal Tax*	73.17	88.17
State Tax*	32.00	36.00
FICA	76.50	76.50
Take Home Pay	\$668.33	\$749.33

**Based on the 2008 tax table.*

In this example, deferring \$100 only decreases your take-home pay by \$81 while saving you \$19 in taxes.

No Fees!

Unlike other funds, there are **no** administrative, membership, investment, transaction, sales or commission fees for participating in the RSA-1 Deferred Compensation Plan. All the money you defer and all investment earnings are placed into your account and invested by RSA-1.

Power of Compounding

Many retirees frequently say their biggest regret is that they did not start saving earlier. By committing to a savings plan early, a person can contribute less but save more.

How does this work?

This financial phenomena is known as the Power of Compounding. As the years pass, the money you invest in the RSA-1 Deferred Compensation Plan will continue to earn tax-free monies. By reinvesting these monies, additional funds are earned, continuing this cycle year after year.

The following examples illustrate the power of compounding*:

Will started deferring \$50 monthly into his RSA-1 Deferred Compensation Plan account when he was 25 years old. At age 55, Will's account balance will be \$50,226.

Katherine started deferring \$50 monthly into her RSA-1 Deferred Compensation Plan account when she was 35 years old. At age 55, Katherine's account balance will be \$23,102.

** This example assumes a 6% rate of interest and is for illustrative purposes only. It is in no way indicative of the future performance of any of the investment options available through RSA-1.*

The Advantage of Beginning Early

The earlier you begin participating in RSA-1, the bigger the difference in long-term accumulation. The chart below is an example based on a monthly contribution of \$100 earning an assumed interest rate of 7%.

<i>Beg. Age</i>	<i>Value at Age 65</i>	<i>Tot. Amt. Contrib.</i>	<i>Cost of Waiting 1 Yr.</i>
25	\$264,012	\$48,000	
26	\$245,051	\$46,800	\$18,961
35	\$122,709	\$36,000	
36	\$113,274	\$34,800	\$ 9,435
45	\$ 52,397	\$24,000	
46	\$ 47,702	\$22,800	\$ 4,695

**This chart is for illustrative purposes only and should not be considered indicative of the future performance of any of the investment options available through RSA-1.*

Enrolling is Easy

Who is eligible to join RSA-1?

Any public official or employee of the state of Alabama or any political subdivision thereof is eligible to participate in the RSA-1 Deferred Compensation Plan, regardless of age or participation in the RSA. Participation in RSA-1 is strictly voluntary.

How do I enroll?

You can enroll in RSA-1 at any time. Request an Enrollment Packet from RSA-1 by completing the card at the back of this brochure. Just drop the card in the mail because no postage is required.

To participate in RSA-1, an employee must:

- ◆ Complete the MEMBER RECORD form, BENEFICIARY DESIGNATION form, and the INVESTMENT OPTION ELECTION form and submit the completed forms to the RSA-1 Deferred Compensation Plan office at the RSA to establish an account.
- ◆ Once an account is established, the employee initiates salary deferrals by filing an AUTHORIZATION TO DEFER COMPENSATION form with his or her payroll officer.
- ◆ You can only defer contributions to RSA-1 through payroll deductions. Do not send the AUTHORIZATION TO DEFER COMPENSATION form to RSA-1 or the RSA.

Easy to Make Deferrals

1. Deferrals may be in any amount desired (for example, \$10, \$20, \$50, etc.) by the participant as long as the participant does not exceed the maximum deferral allowable.
2. The amount of the participant's deferral may be increased, decreased or suspended as often as the participant wishes, subject only to employer payroll requirements.

Statements will be mailed quarterly in April, July, October, and December. To request your balance, please call or email RSA-1 at rsa1info@rsa-al.gov.

Note: For the protection of your privacy, RSA-1 will not disclose balances nor confirm beneficiary designation over the phone or through email. Once the request is received, the information is sent to the address on file.

Investing in RSA-1

What are my options on investing my contributions?

RSA-1 funds are invested under the same authority and restrictions that govern investments made by the TRS and ERS. The RSA-1 Deferred Compensation Plan offers the option to invest in either fixed income investments, stocks, or a combination of both. The funds in both the RSA-1 fixed and stock investment option are not self-directed; rather they are invested as a pool. The RSA-1 fixed portfolio is invested in fixed income investments such as corporate bonds, U.S. agency obligations, government national mortgage association securities, and commercial paper. The stock portfolio is invested in an S&P 500 Index Fund, which invests in the stock of America's 500 largest companies.

How do I select my investment option?

New participants must complete the INVESTMENT OPTION ELECTION form and submit it with your MEMBER RECORD and BENEFICIARY DESIGNATION forms to the RSA-1 office to open an account.

Existing participants will be able to change their investment option every 365 days. The election will remain in effect until a subsequent eligible election is made, but it must remain in effect for 365 days. If you do not wish to change your investment option, the election will remain in effect until subsequently revoked. You may stop deferrals at any time, but the election will remain in effect if you subsequently resume deferrals.

Are my investment earnings taxed?

You do not pay current income taxes on your investment earnings. RSA-1 deferrals and earnings are only subject to taxes when they are withdrawn from RSA-1.

How much will my investments earn?

Your earnings are based on market conditions. For monthly total yields on investments, visit our Web site or call RSA-1.

Are there any limits on what I can contribute to RSA-1?

The maximum amount you may defer per year is 100% of your includable compensation reduced by other tax-deferred retirement contributions and pre-tax salary reductions, but not more than the following annual contribution maximums:

Annual Contribution Maximum

<i>Year</i>	<i>Under 50</i>	<i>50 and Over</i>
2008	\$15,500	\$20,500
2009	\$16,500	\$22,000

There is no minimum amount you may defer. Deferrals to RSA-1 do not affect retirement benefits because retirement benefits are calculated on your gross salary.

If you are making deferrals to another Section 457 plan, the annual contribution maximum applies to all 457 plans. For example, if you are deferring \$9,000 in 2009 to RSA-1, you are limited to a total of \$7,500 (or \$13,000 age 50 and over) with any other 457 plan in that calendar year. If you are contributing to a 403(b) or a 401(k), the limits to those plans will not be affected by deferrals to the RSA-1 Deferred Compensation Plan.

Can I catch-up contributions for years I did not participate?

If you did not defer the maximum deferral amount in the years beginning with 1986 and were eligible to participate, you may “catch-up” unused eligible amounts for one to three years if you are within three years of normal retirement age and are eligible for an unreduced pension.

The following limits apply:

<i>Year</i>	<i>Catch-up Maximum</i>
2008	\$31,000
2009	\$33,000

Normal retirement age is age 60 with at least 10 years of service credit or an age you may retire and receive immediate unreduced benefits under your pension plan (i.e., 25 or 30 years). This age may be earlier than 60 but not later than 70-1/2. The participant may make catch-up deferrals during the three calendar years prior to retirement or the three years prior to the year the participant becomes eligible to retire.

The following rules apply to the catch-up provision:

1. The catch-up provision cannot be used more than once, whether or not the participant utilizes the maximum catch-up deferrals in all three of the catch-up years.
2. The designated catch-up period cannot be changed once the participant begins catch-up deferrals.
3. The participant does not have to retire on the date indicated; however, the catch-up period based on the date cannot be changed.

4. The member may not catch-up during the calendar year in which he or she actually retires.
5. Catch-up deferrals must be payroll deducted.

RSA-1 must approve the CATCH-UP PROVISION ELECTION AND WORKSHEET before catch-up deferrals can be made.

Distribution of Your RSA-1 Funds

When can I withdraw my funds from RSA-1?

RSA-1 is not a savings account in which participants make periodic withdrawals. Rather, it is a retirement account that is available only after the participant has either retired or otherwise terminated employment.

A participant may not withdraw his account unless he meets one of the following conditions:

- ◆ Separation from service through retirement or termination from employment
- ◆ The attainment of age 70-1/2
- ◆ Unforeseeable Emergency (Contact RSA-1)
- ◆ Cash-out provision for small account balances (Contact RSA-1)

RSA-1 funds cannot be assigned or alienated. Contact RSA-1 for more information on distribution of your account.

Can I use my RSA-1 funds to purchase service credit with the ERS or TRS?

You may use your RSA-1 funds to purchase permissive service credit with a governmental defined benefit plan such as ERS and TRS. If you wish to purchase permissive service credit with the ERS or TRS, you must first contact the ERS or the TRS at 877-517-0020 for the calculation of service credit eligible to be purchased. Please complete the IN-SERVICE TRANSFER form to purchase permissive service credit.

Can I withdraw my money if there is an emergency?

There are conditions that permit the member to withdraw his/her account for hardships. Hardships that do not fall into the unforeseeable category do not qualify for withdrawal. Withdrawals will not be allowed for buying a home, college expenses or other similar purposes. Please contact RSA-1 to see if your emergency will allow for distribution of your RSA-1 funds.

How are distributions of my funds made?

Distributions must be at least annually in frequency. No interest will be paid on the monthly interest posting date after the account has been distributed in full. There is no penalty for early distribution from a Section 457 plan.

Can I roll over my RSA-1 funds to another plan?

Once you are eligible for distribution, you may roll over your RSA-1 funds to a Section 401(k), 403(b), 457 plan or a Traditional IRA. While you are still in service, you may transfer your RSA-1 funds to other eligible 457 plans.

Does RSA-1 accept rollovers or transfers?

RSA-1 accepts rollovers from members' RSA DROP accounts once the member has terminated employment. Members must establish an account prior to the rollover.

RSA-1 accepts trustee-to-trustee transfers from other Section 457 plans. An RSA-1 account must be established prior to the transfer. Funds transferred from other Section 457 accounts must never have been from any source other than 457(b).

May I defer my sick and annual leave?

If you are eligible to receive payment for sick and annual leave at termination of employment, you may defer up to the maximum limit in the year you terminate employment. For example, if you retire in 2009 and receive payment for sick and annual leave, you can defer up to the limit of \$16,500 (\$22,000 for age 50 and older) less any deferral you have already made to RSA-1 within that same calendar year.

If you have not made a deferral to RSA-1 in the calendar year of termination of employment, you may defer the full \$16,500 (\$22,000) for 2009. If you retire on January 1 of a year, you may defer up to the limit of the new calendar year. Deferring sick and annual leave payments to your RSA-1 account instead of receiving it in a lump-sum payment can save you 28% in taxes.

When I withdraw my funds, how are they taxed?

Distributions of amounts previously deferred as well as interest earned are subject to federal income tax withholding. Amounts deferred after January 1, 1997, as well as any interest earned, will be subject to state of Alabama income tax upon distribution.

At the time the participant applies for RSA-1 benefits, the participant will complete a FORM W-4P and A-4 WITHHOLDING CERTIFICATE. The participant may submit a new FORM W-4P or A-4 WITHHOLDING CERTIFICATE at any time. Distributions are subject to the withholding rules applicable to qualified plans. For lump-sum payments, federal regulations require a flat 20% withholding (this will also apply to withdrawals for unforeseeable emergencies). For periodic payments, withholding will be based on the participant's marital status and the number of withholding allowances claimed. If a withholding certificate is not filed, withholding will be based on single filing status with no allowances.

Deferred income and investment earnings distributed from RSA-1 will be taxed to the employee or beneficiary as ordinary income in the year of distribution. Payments to RSA-1 recipients and to beneficiaries are reported on a FORM 1099R in the year of distribution. There is no penalty for early distribution from a Section 457 Deferred Compensation Plan such as RSA-1 regardless of the recipient's age at the time of distribution.

Why Save?

- ◆ Experts estimate you will need around 70 - 80% of your final income at retirement.
- ◆ If you live to age 65, you could expect to live 20 more years. Most people spend 1/3 of their lives in retirement.
- ◆ Inflation reduces your purchasing power; a movie ticket costing \$7 today might cost \$14 in 20 years if you factor in inflation!
- ◆ While some expenses will decrease when you retire, others such as medical expenses could increase.

Retirement and the Three-Legged Stool

We encourage you to think of your retirement in terms of a three-legged stool. Each leg of the stool represents a source of your retirement income. The first leg of your stool is your retirement benefit from your employer(s). Your pension benefit is typically calculated based on years of service, a benefit factor, and your ending salary. The second leg of your stool is your Social Security benefit. You can begin receiving a reduced benefit from Social Security as early as age 62. The third leg of your stool is some type of a personal savings plan. Many retirees find that with the growing concern over the future of Social Security a personal savings program is the best way to take control of their future.

***Let the RSA -1
Deferred Compensation Plan
be the third leg of your stool.***

Notes



The RSA-1 Deferred Compensation Plan
P.O. Box 302150
Montgomery, Alabama 36130-2150



BUSINESS REPLY MAIL

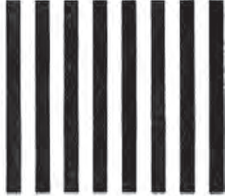
FIRST-CLASS MAIL PERMIT NO. 127 MONTGOMERY AL

POSTAGE WILL BE PAID BY ADDRESSEE

RETIREMENT SYSTEMS OF ALABAMA
FIELD SERVICES
PO BOX 302150
MONTGOMERY AL 36177-8632

NO POSTAGE
NECESSARY
IF MAILED
IN THE

UNITED STATES



Request for RSA-1 Information and Forms

Name: _____
First Middle Last

Address: _____
Street Address

City State ZIP

Employer: _____

I would like RSA-1 to mail me the following materials:

- ☐ RSA-1 Enrollment Packet including enrollment forms
- ☐ Forms Separately:
 - ☐ Member Record (Enrollment Form)
 - ☐ Beneficiary Designation
 - ☐ Authorization to Defer Compensation
 - ☐ Investment Option Election for New Members
 - ☐ Catch-up Provision and Election Worksheet
 - ☐ Address Change Form
 - ☐ Transfer to Purchase Service Credit
 - ☐ Direct Deposit Authorization

Want to Know More?

To request more information or forms, please complete, detach, and mail the postcard below.